29 January 1980

NOTE FOR: Harv
           Hutch

FROM: Willi

RE: ████ Executive Summary

████ 1. I thought it might be worthwhile to tidy-up my comments on
████ executive summary. In particular, I'm concerned over their
foremost conclusion: that resource allocations are pretty much
compatible with priorities for political-economic activities. My
skepticism on this point stems from previous analysis (see Figure 1,
attached) indicating that military and S&T subjects have consistently
claimed much larger shares of production dollars than their
prominence in priority statements would suggest (i.e., DCID 1/2 and,
more recently, the heavily political-economic NITS). Hence, I
decided to probe more deeply into the basis for ████ comforting
conclusion that resources and priorities were in more-or-less general
agreement.

2. This brings us to Tables One and Two (attached) in the
executive summary, which appear to represent the analytic core upon
which ████ has drawn its conclusions: an ordinal evaluation of
political and economic intelligence activities for six geographic
regions according to priority, claims on collection/processing
resources, collection volume, claims on production resources, and the
volumes of current and of finished intelligence products that result.
In a perfectly orderly process, one would expect to see strong
positive rank correlations between all of the twenty-eight paired
combinations of these variables that can be created. At the head of
the list, our hypothetical orderly world would show the largest
volume of intelligence products being about the most important
geographic region, the second largest volume about the second
priority region, and so forth. We would be producing, by these
crude measures at least, volumes of intelligence (forget about
quality) proportionate to what is in demand. Supply would correlate
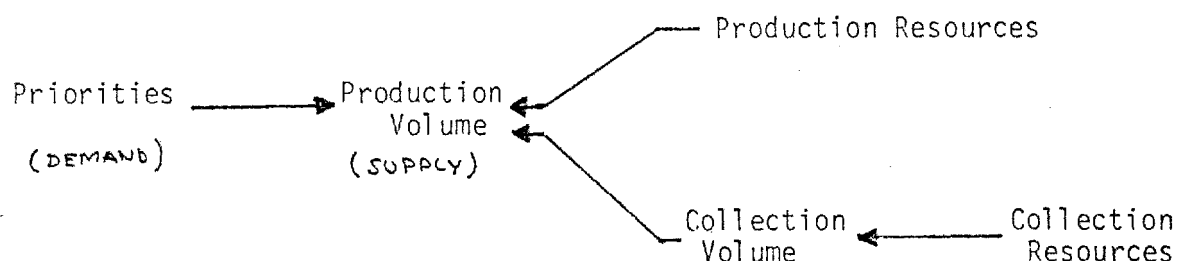with demand.

3. Reasoning downwards, we would expect the volume of
intelligence products put out to also show a strong positive
correlation with the amount of resources put in the production

effort and the volume of information being collected on behalf of that effort, there being no apparent reason why it should be harder to generate like intelligence products from a given amount of information for one region than another. The volume of collected information about a region should, in turn, be related to the resources devoted to collecting information about that region (although there are logical, "degree-of-difficulty" arguments as to why this particular correlation could be weaker than the others).

4. In other words, the logical chain in an orderly, tightly managed world would look like this:

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                                    ┌─── Production Resources
                                    │
Priorities ──────────▶ Production ◀─┘
                          Volume  ◀─┐
    (DEMAND)              (SUPPLY)  │
                                    │
                                    └─── Collection ◀────── Collection
                                           Volume            Resources
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In this demand-driven process, all of the supply terms would correlate positively with priorities and, consequently, with each other.

5. But precious few of these correlations emerge in the ▮▮▮▮   25X1A
analysis, as is vividly demonstrated by the scatter diagrams in
Figures II and III, and the correlation summary in Figure IV. As
these pictures show, only two statistically significant (at a 90
percent level of confidence) correlations exist among the sixteen
relationships that I've checked. Both of these significant
correlations pertain to the allocation of resources within the
economics arena, where the regional shares of collection/processing
dollars, and of production dollars, are each in close conformance
with regional priorities. Otherwise, none of the relationships our
logical model leads us to anticipate are demonstrated in ▮▮▮▮   25X1A
inquiry. To the contrary, there are more negative correlations than
there are positive. The very notion of inverse relationships, which
negative correlations represent, is absurd. None of the negatives
are statistically significant, however, which is a good thing since
we would have big problems if any were.

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6. This dearth of logically anticipated direct relationships is the critical message ▇▇▇ analysis conveys, yet they don't talk about it at all. What ▇▇▇ evaluation depicts is an unmanaged (non-rational, if you prefer) process. If they are confident that their methodology is sound, they should have no compunctions about boldly stating this conclusion: "Our evaluation shows very little evidence of the relationships which characterize a managed production process. Rather, the variables we have endeavored to measure reflect the relationships commonly associated with random processes." Having done so, attention could then turn to debating the merits of their approach.

7. Summarizing, the problem as I see it is this:

A. In the presence of a rational (i.e., "managed") intelligence collection and production process, we would expect to find direct relationships among all of the half-dozen variables ▇▇▇ has identified.

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B. ▇▇▇ analysis does not manifest these expected relationships.

therefore,

C. The relationships do not exist (i.e., the process isn't a managed one).

or

D. The relationships exist, but they have eluded ▇▇▇ analysis.

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Willi

Attacments

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